

STATEMENT OF REASONS  
WHY CHANGES IN THE REGULATIONS UNDER  
CHAPTER 3, TITLE 10,  
CALIFORNIA CODE OF REGULATIONS  
ARE CHANGES WITHOUT REGULATORY EFFECT

As required by Section 100 of the rules of the Office of Administrative Law, the California Corporations Commissioner ("Commissioner") sets forth below the reasons for the nonsubstantive amendments to Title 10, Chapter 3 of the California Code of Regulations and why the changes do not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.

Sections 250.9.1(a) and 250.12(a) are proposed to be amended to delete the reference relating to the Knox-Keene Health Care Service Plan Act of 1975 ("Knox-Keene Act") and/or health care service plans. AB 78 (Chapter 525, Statutes 1999) created the new Department of Managed Care and transferred the administration of the Knox-Keene Act to the new Department of Managed Care. These changes to the regulations are needed as the Knox-Keene Act is no longer under the jurisdiction of the Commissioner of Corporations. No other changes are proposed for the remainder of these sections.

Section 250.51 is proposed to (1) delete the reference relating to the Knox-Keene Health Care Service Plan Act of 1975 ("Knox-Keene Act") and/or health care service plans. AB 78 (Chapter 525, Statutes 1999) created the new Department of Managed Care and transferred the administration of the Knox-Keene Act to the new Department of Managed Care and add provisions relating to the processing time of credit instruments advertising as indicated in existing Rule 1556. These nonsubstantive changes are made for the purposes of clarity and consistency with existing law. No other changes are proposed for the remainder of these sections.

Section 250.60(a) is proposed to be amended to delete the reference relating to the Knox-Keene Health Care Service Plan Act of 1975 ("Knox-Keene Act") and/or health care service plans. AB 78 (Chapter 525, Statutes 1999) created the new Department of Managed Care and transferred the administration of the Knox-Keene Act to the new Department of Managed Care. These changes to the regulations are needed, as the Knox-Keene Act is no longer under the jurisdiction of the Commissioner of Corporations. No other changes are proposed for the remainder of these sections.

Section 260.001 is proposed to amend (1) the reference in subsection (a) to a "shareholders' agreement as defined in subsection (g)" to read "shareholders' agreement as defined in subsection (h)". This will correct a typographical error in reference to the subsection; (2) subsection (h) is amended to correct a typographical error in the reference to Section 260.105.22; and (3) the reference to Corporations

Code Section 2108 is deleted. Section 2108 was repealed in 1997 by SB 188 (Kelley), (Chapter 187, Statutes of 1997). No other changes are proposed for the remainder of this section.

Section 260.100.1 is proposed to be amended to delete the typographical error in Item 7 and amends this section to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 260.100.3 is proposed to be amended to update the outdated references to the California Administrative Code and reflect the current title of the California Code of Regulations and changes the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 260.102.4(b) is proposed to be amended to correct a typographical error. No other changes are proposed for the remainder of this section.

Section 260.102.8(b) is proposed to be amended to correct typographical errors. No other changes are proposed for the remainder of this section.

Section 260.102.16 is proposed to be amended to correct a typographical error in Section 260.102.16(a)(1); and (2) corrects typographical errors and adds clarifying language to the forms and instructions making it easier for issuers conducting a transaction under Corporations Code Section 25102 to understand the already existing requirements in Section 260.102.16(d). No other changes are proposed for the remainder of this section.

Section 260.103 is proposed to be amended to make a correction to a typographical error and to update the reference to the United State Internal Revenue Code to the correct citation of Bankruptcy Code. No other changes are proposed for the remainder of this section.

Section 260.105.8 is proposed to be amended to reflect the correct reference from the United States Internal Revenue Code of 1954 to the United States Internal Revenue Code of 1986. This corrects an outdated citation. No other changes are made to the remainder of this section.

Section 260.105.28. The federal National Securities Markets Improvement Act of 1996 preempted state qualification of various securities and transactions. To conform to the federal law, California passed AB 721 (Chap. 391, Stats. 1997) which, among other things, repealed an exemption from qualification for nonissuer transactions for securities on a national exchange certified by the Commissioner. Prior to AB 721, the Department maintained an Eligible Securities List to identify the securities meeting the repealed exemption. Since the exemption has been repealed, the list is no longer necessary and was abandoned in 1998. This amendment repeals the rule for the repealed exemption that exempts securities listed on the Eligible Securities List.

Section 260.105.33 is proposed to be amended to correct several typographical errors. No other changes are proposed for the remainder of this section.

Section 260.111 is proposed to be amended to change the references to the California Administrative Code to the California Code of Regulations, and to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 260.112 is proposed to be amended to change the references to the California Administrative Code to the California Code of Regulations, and to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 260.113 is proposed to be amended to change the references to the California Administrative Code to the California Code of Regulations in Item 20(iv) and to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 260.121 is proposed to be amended to change the references to the California Administrative Code to the California Code of Regulations, and to change the year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 260.131 is proposed to be amended to change the certification to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 260.140.71.2. SB 663 (Chapter. 598, Statutes 1997) repealed Civil Code Section 330.24. Consequently, the reference to Civil Code Section 330.24 in Section 260.71.2 is deleted and subsequent subsections are renumbered. No other changes are proposed for the remainder of this section.

Section 260.140.87(e) is proposed to be amended to correct a typographical error. No other changes are proposed for the remainder of this section.

Section 260.140.110.2 is proposed to be amended to correct various typographical errors. No other changes are proposed for the remainder of this section.

Section 260.140.113.3(b) is proposed to be amended to make a correction to a typographical error. No other changes are proposed for the remainder of this section.

Section 260.140.114.1(c) & (d) is proposed to be amended to correct typographical errors in subsections (c) and (d) of Section 260.140.114.1. No other changes are proposed for the remainder of this section.

Section 260.140.114.2 (e) is proposed to be amended to correct a typographical error in subsection (e) of Section 260.140.114.2. No other changes are proposed for the remainder of this section

Section 260.140.116.7 is proposed to be amended to correct a typographical error. No other changes are proposed for the remainder of this section.

Section 260.140.116.8(a) is proposed to be amended to correct a typographical error. No other changes are proposed for the remainder of this section.

Section 260.140.118.4(c) is proposed to be amended to correct a typographical error. No other changes are proposed for the remainder of this section.

Section 260.140.128.8(a) is proposed to be amended to correct a typographical error. No other changes are proposed for the remainder of this section.

Section 260.146. The certification in Section 260.146 is proposed to be amended to change the outdated year indicator (i.e., 19\_\_ to 20\_\_). No other changes are proposed for the remainder of this section.

Section 260.151(a). The certification in subsection (a) of Section 260.151 is proposed to be amended to change the outdated year indicator (i.e., 19\_\_ to 20\_\_). No other changes are proposed for the remainder of this section.

Section 260.151(b). The certification in subsection (b) of Section 260.151 is proposed to be amended to change the outdated year indicator (i.e., 19\_\_ to 20\_\_). No other changes are proposed for the remainder of this section.

Section 260.217(c). Existing Rule 260.217(c) exempts persons who are members of the Pacific Exchange, Inc. from the qualification requirements for certain broker-dealers and agents. However, this exemption is no longer necessary because on June 23, 2001 Rule 260.204.11 was adopted which entirely exempts from licensure members of the Pacific Exchange, Inc. Thus, the rule is to be amended to delete the exemption from the qualification requirements for members of the Pacific Exchange, Inc. since such persons are no longer licensed.

Section 260.231(b). In February, 2001 the Department of Corporations' Sacramento office moved from 980 9<sup>th</sup> Street, 5<sup>th</sup> Floor, Sacramento CA 95814-2725 to 1515 K Street, Suite 200, Sacramento CA 95814-4052. The amendments update the Department's current Sacramento address. No other changes are proposed for the remainder of this section.

Section 260.241.4(b) is proposed to be amended to correct a typographical error. No other changes are proposed for the remainder of this section.

Section 260.242. The certification in Section 260.242 is proposed to be amended to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 260.507. Proposed amendments include (1) The certification in Section 260.507 is amended to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_); and (2) an update to the general fee schedule to reflect the fee computation which became effective on January 1, 1992. See Corporations Code Section 25608. No other changes are proposed for the remainder of this section.

Section 260.608. Proposed amendments include (1) the correction to the zip code to the Department's Los Angeles address; (2) AB 78 (Chapter 525, Statutes 1999) created the new Department of Managed Care and transferred the administration of the Knox-Keene Act to the new Department of Managed Care, eliminating the Knox-Keene Act mailing list, among other things; (3) due to the elimination of the Knox-Keene Act mailing list the cost of the General Mailing List is adjusted accordingly; (4) AB 721 (Chap. 391, Stats. 1997) repealed the securities exemption pursuant to which the Department maintained the Eligible Securities List. The Department discontinued the list in 1998. (5) the Continuing Education of the Bar (CEB), has discontinued the publication of the Department's Interpretive Opinions. No other changes are proposed for the remainder of this section.

Section 280.150. In February, 2001 the Department of Corporations' Sacramento office moved from 980 9<sup>th</sup> Street, 5<sup>th</sup> Floor, Sacramento CA 95814-2725 to 1515 K Street, Suite 200, Sacramento CA 95814-4052. The proposed amendments update the Department's current Sacramento address. No other changes are proposed for the remainder of this section.

Section 1718(a)(1). The certification in Section 1718(a)(1) is proposed to be amended to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_).

Section 1805.204. The outdated references to the California Administrative Code are updated to reflect the current title of the California Code of Regulations and changes the outdated year indicator (i.e., 19\_\_\_\_ 20\_\_\_\_). No other changes are proposed for the remainder of this section.

Section 1805.204.1. The certification in Section 1805.204.1 is proposed to be amended to change the outdated year indicator (i.e., 19\_\_\_\_ to 20\_\_\_\_). No other changes are proposed for the remainder of this section.